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GAIN Report #CI2021

# Chile

# Grain and Feed

# Annual

# 2002

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**Report Highlights:**
**In spite of adverse weather conditions a larger wheat harvest will likely result in a fall in imports for MY2001. Corn imports are also expected to fall slightly as production will expand faster than consumption due to an expansion of planted area.**

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Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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## Executive Summary

In spite of heavy rains during the harvest of Chile's 2001 wheat crop, production ended larger than previously projected. As a result, wheat imports in MY 2001 (Dec-Jan) are expected to be lower, both relative to our forecast and compared to last year's imports. For the same reason, the preliminary production estimate for the MY 2001 crop has been raised significantly.

Chile's corn production for MY 2001 is now deemed to be higher, and the 2002 forecast is also positive. Nonetheless, import requirements for MY 2001 are expected to be higher then the previous year in response to continued expansion of the poultry and hog industries.

# Wheat

## Production

Due to higher than normal precipitation during the winter months in most production regions, initial wheat crop reports indicated a significant fall in total output and quality. But final harvest results now show that the same weather, plus increased planted area, helped yields in Region IX, where most of Chile's wheat is produced. As a result, the preliminary production estimate for the MY 2001 crop has been raised significantly.

For MY 2002, the initial planting intentions survey indicates a fall in the planted area, when compared to the previous year. The decline in planting is attributed to another reduction in the floor price of the wheat price band together with a substantial improvement in expected economic returns for alternative crops from Region IX, Chile's main wheat growing area. The price band for imported wheat has already been published, with a reduction from the current level of US$166 per metric ton to US$161 per ton for the next harvest season.

Yields in MY 2002 also are expected to be below average. A delay in planting due to excess moisture in Regions IX and X will force farmers to plant more spring wheat than winter wheat, which will result in a lower average yield and final output. Thus even though the planted area for MY2002 should be similar to the previous year, yields are expected to be lower.

## Consumption

Although our PS&D table shows a slight increase in total consumption of wheat, consumption for human use during the last few years has been rather stagnant, albeit at a high level vis a vis the rest of the world. According to the local bakery association, Chileans consume an average of 95 kilos of bread per capita per year, making them the largest consumers of bread in the Western hemisphere. Approximately 25,000 persons are employed in the industry.

## Trade

MY 2001 imports are deemed to be lower than originally expected due to increased availability of domestic wheat. On a calendar year basis, the U.S. lost substantial market share to Canada largely as a result of the Chile-Canada free trade agreement which provides a zero tariff rate for Canada imports compared to a uniform 8 percent rate in 2001 for imports from the U.S.

For MY2002, a further reduction is forecast for imports, due to larger harvests during the last two years and stagnant consumption. The uniform tariff rate has been lowered to 7 percent, and will fall to 6 percent in 2003. The U.S. and Chile currently are negotiating a free trade agreement. Both countries are aiming to complete the negotiation by the end of this year or the beginning of next year. For wheat, it is expected that market access terms would be agreed on similar to those for Canada, thus removing the Canadian tariff advantage.

In March of 2001, Argentina initiated a WTO dispute settlement case against Chile's price band system and safeguards for wheat and wheat flour. A preliminary determination against Chile's price band system was made in May. Chile appealed the determination and the court met again in August. A final ruling likely will not be made until late September. In early August, the U.S. submitted a WTO Third Party statement against the Chilean price band system.

Industry sources have indicated an increase of wheat imports from the EU in the near future are not expected, despite the recently signed free trade agreement which will take effect in January 2003, mainly because millers demand higher quality wheat to blend with the domestic production, which is mainly available in the U.S., Canada and/or Argentina.

**PS&D Table**

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Chile | | | | | |
| Commodity | Wheat | | | | (1000 HA)(1000 MT) | |
| | Revised | 2000 | Preliminary | 2001 | Forecast | 2002 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 12/2000 | | 12/2001 | | 12/2002 |
| Area Harvested | 414 | 414 | 438 | 426 | 0 | 413 |
| Beginning Stocks | 199 | 199 | 199 | 276 | 169 | 355 |
| Production | 1780 | 1780 | 1660 | 1819 | 0 | 1650 |
| TOTAL Mkt. Yr. Imports | 180 | 257 | 270 | 240 | 0 | 200 |
| Jul-Jun Imports | 418 | 418 | 300 | 238 | 0 | 250 |
| Jul-Jun Import U.S. | 78 | 78 | 80 | 33 | 0 | 35 |
| TOTAL SUPPLY | 2159 | 2236 | 2129 | 2335 | 169 | 2205 |
| TOTAL Mkt. Yr. Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Jul-Jun Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed Dom. Consumption | 150 | 150 | 150 | 150 | 0 | 150 |
| TOTAL Dom. Consumption | 1960 | 1960 | 1960 | 1980 | 0 | 1980 |
| Ending Stocks | 199 | 276 | 169 | 355 | 0 | 225 |
| TOTAL DISTRIBUTION | 2159 | 2236 | 2129 | 2335 | 0 | 2205 |

**Import Trade Matrix**

| | | | |
|---|---|---|---|
| Import Trade Matrix | | | |
| Country | Chile | | |
| Commodity | Wheat | | |
| Time period | Jan-Dec | Units: | M.T. |
| Imports for: | 2000 | | 2001 |
| U.S. | 91934 | U.S. | 35798 |
| Others | | Others | |
| Canada | 271247 | Canada | 174416 |
| Argentina | 135565 | Argentina | 35338 |
| Brazil | 1157 | Germany | 34 |
| France | 20 | | |
| | | | |
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| | | | |
| | | | |
| Total for Others | 407989 | | 209788 |
| Others not Listed | | | |
| Grand Total | 499923 | | 245586 |

## Corn

### Production

Improved marketing conditions, together with favorable weather, had a positive effect on Chile's final total area planted to corn in MY2001. As a result, we raised our preliminary production estimate to over 900,000 MT. This trend is expected to continue in MY2002 as returns for alternative crops have deteriorated in relation to corn. Prices for corn are expected to stay high. The initial production forecast is 1,000,000 MT for MY2002.

### Consumption and Trade

Although domestic corn production is expected to increase in the coming years due to increased demand, imports also are projected to remain stable due to increased feed use as the hog and poultry industries continue to expand. For MY2001 imports are expected to be stable and consumption is expected to increase slightly again. For MY2002 as production is expected to expand more than consumption, based on recently published increased planting intentions, imports most probably will be smaller than the previous year.

Currently, Argentina is the largest supplier of bulk corn to Chile. Argentina's advantage reflects lower costs and quality preferences. Argentine corn is also subject to a lower import duty than U.S. corn, as a result of the Mercosur (60 percent preferential tariff difference). Currently, Argentina pays a duty of 2.8 percent, while U.S. corn is subject to a 7 percent duty, consistent with Chile's uniform applied rate. Next year, when the uniform rate declines to 6 percent, a further reduction in the Mercosur rate will also occur, thus maintaining the edge for Argentine corn. A U.S. - Chile Free Trade Agreement would hopefully reduce or remove that edge.

**PS&D Table**

| | | | | | | |
|---|---|---|---|---|---|---|
| PSD Table | | | | | | |
| Country | Chile | | | | | |
| Commodity | Corn | | | | (1000 HA)(1000 MT) | |
| | Revised | 2000 | Preliminary | 2001 | Forecast | 2002 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 03/2001 | | 03/2002 | | 03/2003 |
| Area Harvested | 82 | 83 | 87 | 87 | 0 | 95 |
| Beginning Stocks | 210 | 210 | 243 | 256 | 241 | 298 |
| Production | 778 | 778 | 800 | 924 | 0 | 1000 |
| TOTAL Mkt. Yr. Imports | 1200 | 1313 | 1200 | 1300 | 0 | 1200 |
| Oct-Sep Imports | 1362 | 950 | 1000 | 1000 | 0 | 0 |
| Oct-Sep Import U.S. | 33 | 650 | 500 | 500 | 0 | 0 |
| TOTAL SUPPLY | 2188 | 2301 | 2243 | 2480 | 241 | 2498 |
| TOTAL Mkt. Yr. Exports | 45 | 45 | 52 | 52 | 0 | 55 |
| Oct-Sep Exports | 11 | 0 | 15 | 0 | 0 | 0 |
| Feed Dom. Consumption | 1690 | 1820 | 1700 | 1970 | 0 | 1990 |
| TOTAL Dom. Consumption | 1900 | 2000 | 1950 | 2130 | 0 | 2150 |
| Ending Stocks | 243 | 256 | 241 | 298 | 0 | 293 |
| TOTAL DISTRIBUTION | 2188 | 2301 | 2243 | 2480 | 0 | 2498 |

**Import Trade Matrix**

| | | | |
|---|---|---|---|
| Import Trade Matrix | | | |
| Country | Chile | | |
| Commodity | Corn | | |
| Time period | Jan-Dec | Units: | M.T. |
| Imports for: | 2000 | | 2001 |
| U.S. | 353467 | U.S. | 30545 |
| Others | | Others | |
| Argentina | 867985 | Argentina | 1198370 |
| | | Brazil | 35945 |
| | | Paraguay | 5235 |
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| | | | |
| Total for Others | 867985 | | 1239550 |
| Others not Listed | 0 | | |
| Grand Total | 1221452 | | 1270095 |